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0229 Committee on Fire and Police Pensions

Colorado Legislative Council

Report to the Colorado General Assembly:

RECOMMENDATIONS FOR 1978
COMMITTEE ON:

FIRE AND POLICE PENSIONS

VOLUME VII

COLORADO LEGISLATIVE COUNCIL

RESEARCH PUBLICATION NO. 229

December, 1977

LEGISLATIVE COUNCIL

OF THE

COLORADO GENERAL ASSEMBLY

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POLICE AND FIREMEN'S

PENSIONS

Legislative Council

Report to the

Colorado General Assembly

Research Publication No. 229
January, 1978

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January 3, 1978

To Members of the Fifty-first Colorado General Assembly:

Submitted herewith is the final report of the Legislative Council Committee on Fire and Police Pensions for 1977. This report, and the committee's accompanying recommendations were considered by the Legislative Council at its January 3, 1978, meeting and are transmitted with favorable recommendation. The Council also urges that, because of the increasing financial liability facing local governments, consideration of the committee's proposed bill be expedited in order to speed its consideration.

Respectfully submitted,

/s/ Representative Carl Gustafson
Chairman
Legislative Council

CG/pm

FOREWORD

The Committee on Fire and Police Pensions was created by the Legislative Council to assist the State Auditor's Office in conducting a study of local police and firemen pension funds, and to develop appropriate legislation addressing this complex issue. The committee report and its accompanying bill were approved by the Legislative Council at its January 3, 1978 meeting. The State Auditor is also preparing a separate report concerning the financial condition and actuarial soundness of policemen and firemen's pension funds.

The committee wishes to express its appreciation to the many individuals who have contributed to this study. In particular, the committee wishes to thank Mr. Robert Scott, State Auditor; Mr. John Meininger, Study Coordinator; and Mr. Peter Rooney and Mr. James Kamel, of the Martin E. Segal Company, consulting actuarial firm, for their effort and time in assisting the Committee in its deliberations. In addition, the Committee wishes to thank the various representatives of local governments and employee groups who have provided the Committee with their valuable input.

Ms. Sue Burch of the Legislative Drafting Office assisted the committee in the preparation of the attached bill. Wallace Pulliam, Principal Analyst, and Bart Bevins, Research Associate, Legislative Council staff had the principal staff responsibility for assisting the committee and preparing the committee's report.

January, 1978

Lyle C. Kyle
Director

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COMMITTEE REPORT

Committee on Fire and Police Pensions

The Committee on Fire and Police Pensions was created by the Legislative Council to coordinate and assist in the efforts of the State Auditor's Office in conducting a study of local police and fire pension funds. House Joint Resolution 1046 directed:

> (1) That the state auditor, with the approval of the Legislative Audit Committee, conduct or contract for an actuarial study of the soundness of the state and local firemen's and policemen's pension funds, including, but not limited to:
>
> (a) The determination of the current costs of present benefit packages;
>
> (b) Benefit alternatives and related costs necessary to fund proposed benefit packages on an actuarially sound basis;
>
> (c) Proposed alternatives for current formulae for employee, employer, and state contributions to provide for actuarially sound pension funds within a period not to exceed forty years;
>
> (d) A comparative analysis of the firemen's and policemen's pension funds with other state and municipal employee's pension funds; and
>
> (e) Organizational alternatives for firemen's and policemen's pension funds, to include a proposal for statewide consolidation and a plan for inclusion in the Public Employees Retirement Association.

In conducting the study, the State Auditor contracted with Mr. John Meininger, attorney, as pension study consultant, and with the Martin E. Segal Company, a consulting actuarial firm, to assist in compiling and analyzing actuarial information required under the above directives. The Auditor's Office, through Mr. Meininger, organized an advisory panel composed of representatives of various fire and police agencies and associations, various employers (local governments), and representatives of the Colorado Municipal League. Mr. Meininger, The Segal Company, and the advisory panel worked closely throughout the interim with the Legislative Council Committee on Fire and Police Pensions.

The Auditor's Office, through Mr. Meininger and the Segal Company, has been surveying and collecting necessary actuarial information from the several local fire and police pension funds around the state. A report is now being prepared by these groups detailing the findings and making recommendations on the financial condition and the actuarial soundness of policemen and firemen's pension funds throughout the state.

__Background__

The history of policemen and firemen's pension funds in Colorado dates from 1903 when the General Assembly authorized pension benefits for firemen employed in cities with over 100,000 population which, at that time, was only the City of Denver. In 1912, nine years later, the General Assembly enacted a statute requiring a police department relief fund for all cities in excess of 100,000 population. At the same time funding was provided by a supporting mill levy on all property and a one percent salary deduction from the employees in those cities.

In 1917 a state law was enacted which provided for firemen's pension funds' in all cities and towns in Colorado having organized paid or volunteer fire departments. In 1927, the General Assembly authorized policemen's pension funds in all Colorado cities and towns with over 25,000 population, and this authority was extended in 1937 to all communities having a full-time police force.

__State participation -- firemen's pensions.__ State participation in the financing of fire pension funds was begun in 1917, fourteen years after the first firemen's pension fund was established. One-half of the revenue being collected from an existing two percent tax on the gross amount of premiums collected from foreign and alien fire insurance policies was designated for distribution into firemen's pension funds. (The two percent tax on fire insurance premiums was originally enacted in 1913, apparently for general fund revenue purposes.) In [illegible], the General Assembly amended the insurance tax distribution formula so that all of the annual two percent tax was transferred to the firemen's pension fund. In 1955, however, the sum to be transferred to the fund was changed to a fixed dollar amount of $400,000. In discussing the reason for this change, the 1956 Legislative Council Report on Police and Firemen's Pensions (Research Publication no. 20) stated:

> As a further indication of legislative intent to support local pension funds, the General Assembly, in 1955, set the annual state support of firemen's pension funds at $400,000, after the proceeds from the 2% tax on premiums on foreign and alien fire insurance companies had dropped to $178,000 per year ....

The state's appropriation for firemen's pensions has increased over time reaching a level in 1977 of $2,335,000.

__State participation -- policemen's pensions.__ State financial participation in police pension funds did not begin until 1935 when a $150,000 general fund appropriation was authorized for distribution to cities with more than 25,000 population, the money to be distributed on the basis of the number of full-time policemen employed in each municipality. In 1937, a state levy of 0.2 of a mill on all property was established, with the proceeds to be distributed to the policemen's pension funds in all cities and towns having one or more full-time police officers. Eventually, the mill levy was eliminated and an annual state appropriation for police pension funds was established at a constant sum which has increased over time to $1,785,000 in the 1977 Session.

Although amendments have been made over the years to the state's policemen and firemen's pension laws, many of the basic provisions have remained unchanged from the time they were originally enacted.

Divergency of Current Statutory Provisions

As suggested above, Colorado statutes contain a variety of provisions governing police and firemen's pensions. Existing Colorado law provides five separate categories of pension plans for paid policemen and firemen. There are separate pension statutes for policemen in cities over 100,000 in population; policemen in cities between 100,000 and 50,000 in population; policemen in cities under 50,000 in population; firemen in cities over 100,000 in population; and firemen in cities under 100,000 in population. Additionally, the statutes contain special provisions for pensions of volunteer firemen.

As might be expected from this divergency, there are numerous significant differences in the major provisions governing these various pension plans. For example, contributions by the employee differ from 5 percent for police officers in cities under 50,000 to a maximum of 8 3/4 percent for police officers in towns over 50,000; and from 6 percent for firemen in towns under 100,000 to 8 3/4 percent for firemen in towns over 100,000. (Prior to the 1977 Session this level was 1 percent for policemen in municipalities over 50,000, and 3 1/2 percent for firemen in cities over 50,000. In 1977 an increase to 8 3/4 percent was authorized for both, but it is not required.)

The current pension contributions in many cases are limited to certain levels of contributions. For example, employee contributions to pension funds may not exceed 5 percent of the police payroll for cities under 50,000 population. When these contributions are too low to fund the actuarial liabilities for the pension fund, as they are in most cases in the state, the funds may ultimately be unable to make payments to future pensioners. Yet in the case of the police officer fund in cities under 50,000 population, there is a provision in the statutes which holds the municipalities ultimately responsible for the pension benefits of the retirees. This provision does not exist in any of the other statutes for police in other sized communities or for the firemen. Finally, the statutes provide that in municipalities of over 100,000 population the employer (a municipality) shall levy a property tax of 0.1 mill if the police pension fund falls below $300,000 and this appears to be the municipality's only contribution requirement.

Retirement ages vary significantly. Police officers in municipalities under 50,000 in population may retire at age 55 after 20 years of service, but police officers in towns over 100,000 may retire at age 60 with 25 years of service. These provisions compare with firemen's retirement at age 50 with 20 years of service in towns under 100,000, while towns over 100,000 population require 25 years of service.

Survivor's benefits are provided under all of the statutes to dependent widows, dependent mothers, and dependent children under age 16, (in some cases children under 18 are covered) upon the death of an active or retired policeman or fireman for any cause. However, in cities over 100,000 population, an active policeman must die as a result of his occupation in order for this benefit to be payable. The survivor's benefits vary substantially, from 33 1/3 percent of monthly salary (including provisions for escalation of benefits payable to the spouse of a deceased firefighter from the largest cities) to 25% of monthly salary to survivors of policemen in the smallest cities, and to only $50 per month to the surviving spouse of policemen in cities over 50,000, but under 100,000, in population.

Table 1 compares the basic provisions of the five statutes governing firemen and policemen's pensions.

Estimates of Financial Condition

Colorado's policemen and firemen's pension systems are in a severe financial situation. Existing pension funds presently face severe unfunded accrued liabilities estimated to be perhaps around $500,000,000 statewide.

The fact that these pension funds are substantially underfunded is not new. Policemen and firemen's pensions have been studied at some length on at least three earlier occasions -- twice for the General Assembly and at least once by the Colorado Municipal League -- and all of these studies noted that these pension funds faced increasingly significant financial problems.

The estimate of $500,000,000 in unfunded liability is only one indication of the extent of the policemen and firemen's pension problem. Perhaps a larger problem is the rate at which this liability is increasing. The 1968 study of police and fire pensions conducted by the University of Colorado Graduate School of Business Administration for the Joint Budget Committee, noted that:

> The actuarial valuation ... indicated that on the basis of the data provided unfunded liabilities for firemen's and policemen's funds combined as of December 31, 1967, totaled over $56 million. Furthermore, if information had been available for all funds including the non-reported, the figure could well have reached $63 million ....

If the above estimates are valid, the unfunded liability will have increased roughly $457,000,000 in the last ten years. An additional indication of the rapidity with which the unfunded liability is increasing is the City and County of Denver. Denver is estimated to have a current unfunded liability of about $270,000,000 and estimates suggest this liability is increasing at a rate of about $30 million annually.

Sufficiency of financial data. A major problem faced by the committee was a lack of specific current uniform data. This is indicated by the fact that all of the above figures are only estimates. That is, while many of the policemen and firemen's pension plans have had actuarial studies made of their pension plans, some of these date back to 1974. Additionally, these studies, having been made by a number of different actuarial firms, do not use uniform procedures nor do they use uniform actuarial assumptions. In addition, there is simply not any actuarial data available on a significant number of the state's very small fire and police departments.

The financial information from the auditor's report should offer the General Assembly some indication of the extent of the problem facing policemen and firemen's pension plans statewide. However, according to information provided to the committee by the auditor's consultants, such estimates may not be sufficient to accurately assess the unfunded liability of all but perhaps a few specific pension plans.

Financial soundness -- actuarial soundness. Perhaps, at this point, two terms should be explained -- financial soundness and actuarial soundness. Financial soundness essentially determines whether or not a pension fund is facing immediate cash flow problems -- where the benefits being paid are subject to possible termination. At least one pension fund, the Denver Police Pension Fund, has adopted the policy of "pay-as-you-go" funding of pension benefits. Under pay-as-you-go funding the city appropriates monies annually to pay the benefits of those members of the department on retirement. The fund retains practically no balance at the end of any year and, if the City and County of Denver were to experience severe financial conditions, there would be no monies available to pay future benefits for either the present retirees or new retirees. However, since Denver is committed to making payments to the pension fund on an annual basis sufficient to pay the benefits, this fund could be called financially sound.

On an actuarial basis, however, a pension fund must have assets at any point in time of an amount sufficient to pay the current retiree's benefits until their death and an amount equal to the accrued retirement benefits of current members of the force. In this way, if a city were to go out of existence or incur severe financial problems, the assets of the fund would be sufficient to insure all current and future retirees a sufficient retirement benefit.

The current problems of many local and state governmental pension plans in this nation suggest that pension benefits can become a heavy burden upon the government's ability to remain financially solvent. The condition of being actuarially unsound actually only defers the payments for pension benefits accrued by current employees to future years and onto future taxpayers. Such a deferral of benefits may bring specific problems for cities such as Denver and even more so for smaller cities where financial resources are not as adequate or flexible. Without a policy to fund the cost of pensions over an employee's working career, future pensions will have to be paid entirely from employee and employer contributions because there will be no investment earnings of consequence to help meet pension costs. For instance, if a city with a department employing eight firemen were to have a major fire in which six firemen were injured and were then placed on permanent disability retirement, the pension fund might face a financial disaster if it were not funded on an actuarially sound basis. Of course, even on an actuarially sound basis, the fund would be severely strained to meet such a problem.

The absence of actuarial funding measures tends to prevent the placing of a realistic price tag for proposed changes in benefit provisions. With a funded plan, the actuary can make realistic estimates of the actual long-term cost of plan changes using a percentage of salary basis.

When a plan is financed on a pay-as-you-go basis, on the other hand, experience indicates that price determination is usually abandoned and the responsible policy maker, e.g., a legislature, or an administration, do not have built-in policy guides relating proposed benefit changes to cost. Under a funded plan, improvements in benefits can be intelligently selected and properly coordinated after a determination has been made as to the actuarially necessary cost of the plan modification.

Committee Recommendations

At the outset of its study, the committee had hoped to be able to develop a proposal which would have resolved all those problems currently surrounding the firemen and policemen's pension funds. While this was not totally accomplished, the committee does believe that, based upon the information currently available to it, the General Assembly can address, in a limited fashion, the matter of the proper funding of these retirement plans. Indeed, the committee believes that the problems of these funds, and specifically their accrued unfunded liabilities, are of such magnitude that the recommendations outlined below should be of the utmost concern to the General Assembly in 1978.

The committee concluded that the adoption of a policy to fund a public retirement system on a sound actuarial basis, as contrasted with pay-as-you-go financing, is absolutely necessary. Funding on an actuarial basis would seek to assure: that level contributions will be made over a prolonged period; that present taxpayers will pay for the benefits earned by present employees for the services they render; that assets will be accumulated in a manner sufficient (at some point) to fulfill the benefit commitments if further contributions to the retirement system were to be discontinued; and that it will be possible to estimate the long-term cost of proposed plan modifications.

It is also recommended that funding of policemen and firemen's pension plans should be based, at a minimum, on payment of the funds normal cost (the annual contribution from all sources which is necessary to fund each year's share of the ultimate retirement benefit), plus at least a share of the unfunded liabilities. Additionally, procedures should be implemented in 1978 to prevent further increases in unfunded liabilities and to begin to provide funds to pay off the present outstanding liabilities.

As a means of achieving the above policies, the committee recommends bill 1 which is designed to provide a mechanism for the resolution of the problems posed by the currently underfunded policemen and firemen's pension system. Specifically, the bill:

1) Requires that full funding of fire and police pension funds be started in 1979 to cover both the unfunded accrued liability and current normal service costs of active members;

2) Allows local governments, which find the contribution levels for full funding required in (1) above to be burdensome (costly), to gradually increase their level of contributions over a period of years. This approach will allow more time for the local governments to adjust to the necessary level of expenditures and increases in employee and employer contributions.

3) Provides two methods to increase the level of employer contributions based on the size of the municipality or fire protection district. For local governments under 500,000 population, contributions would begin at a level of 50 percent of the sum of pension costs beginning in January, 1979, and increasing five percent per year until full funding is achieved. For local governments over 500,000 population based on the 1970 census (Denver), contributions would begin at a level of 20 percent of pension costs, and increase ten percent per year until full funding is accomplished in 1987.

4) Requires an actuarial study of each pension fund to determine the actuarial liability of each fund. These reports are to be submitted by September 1, 1978 and are to contain a determination of the minimum annual rate of contribution each local government must produce to reestablish their pension funds on an actuarially sound basis.

5) Provides procedures to be used in selecting the actuarial firms to conduct these studies and charges the state auditor with establishing the actuarial methods and assumptions to be used.

6) Prohibits any modification by local action of any pension benefit plan after October 1, 1978. However, member contribution rates may be increased to a maximum of ten percent and shall be increased by statutorially established minimums over a seven year period. New employees are to be temporarily covered by existing plans but they may not be vested therein. They are to be covered by new pension plans that are to be developed by a legislative commission.

7) Creates a statutory policemen and firemen's pension reform commission to study legislation relating to the funding of pensions and benefit designs. The commission is to be composed of 15 legislators appointed by the Leadership of the General Assembly.

8) Increases the state's contribution to both fire and police pension funds by $2 million.

9) Includes a repealer effective January 1, 1981 which is intended to pressure the commission and employer and employee groups to design a program for submission to the General Assembly to resolve the problem.

These recommendations and the provisions of the bill are primarily concerned with limited matters of adequately funding of pension plans. The bill does not address other important issues, such as the appropriate standards of benefits for newly hired policemen and firemen, or the appropriate level of financial responsibility which should be imposed on the state, employers, and employees, in paying for these plans. For various reasons, including the lack of uniform detailed actuarial cost data, the great complexity of the entire issue, and lack of agreement from employer and employee groups, the committee was unable to develop such a package.

The committee concluded that the development of new packages for policemen and firemen (and, perhaps revisions to existing laws) should be delayed pending completion of a detailed actuarial study of all pension plans in 1978. The committee proposes that a statutory commission composed of members of the General Assembly be created to propose specific recommendations on policemen and firemen benefits and the funding thereof. The issues not yet resolved, but which should be addressed by the commission, include maximum benefit levels, funding, retirement ages and length of service requirements, vesting and refunds of benefits, disability benefits, post-retirement increases and consolidation of pension plans into a statewide system.

Finally, the committee emphasizes that its recommendations are of an interim nature and should not be considered a final or complete remedy for the problems of these pension funds. However, the committee has started a process which, if carried out, will result in an adequate resolution of these potentially damaging and previously neglected financial problems.

For a more detailed explanation of the committee's proposal, see the comments accompanying each section of the Committee's bill 1.

TABLE 1

COMPARISON OF BASIC PROVISIONS OF
COLORADO STATUTES GOVERNING POLICEMEN
AND FIREMEN'S PENSIONS

Item	Summary of Statutory Provisions for Police Pensions: Municipalities Under 50,000	Police: Municipalities 50,000 to 100,000	Police: Municipalities Over 100,000	Summary of Statutory Provisions for Firemen's Pensions: Municipalities Under 100,000	Firemen: Municipalities Over 100,000	Firemen: Volunteers
Normal Retirement: Eligibility	Age 55 with 20 years of service or any age with 25 years of service. Payment to be made regardless of other income	Age 60 with 20 years of service. Benefits suspended to retiree earning more than $60/month in another job for the period of such employment.	Compulsory at age 60 regardless of service or at any age with 25 years of service in such department. Payment to be made regardless of other income	Age 50 with 20 years of service in any paid fire department. Benefits suspended if retiree accepts any paid position with any fire department or district.	Age 50 with 25 years of service in such department. Payment to be made regardless of other income.	Age 50 after 20 years service. May not receive pension while an active member of any department.
Benefit	50% of final salary (compensation 1 year prior to retirement). No escalation provision.	50% of final salary (compensation 1 year prior to retirement). No escalation provision.	50% of final salary (compensation 1 year prior to retirement). No escalation provision.	50% of final salary (monthly salary at time of retirement) plus, at the governing body's option, one-half of any salary increases granted, during his retirement, to the rank he previously occupied.	50% of final salary (monthly salary at retirement) plus one-half of any salary increases granted, during his retirement, to the rank he previously occupied.	Determined by local board not to exceed $200/month.
Temporary Disability: Eligibility	Physical or mental disablement deemed to be temporary and duty-related.	Physical or mental disablement deemed to be temporary and duty-related.	Member who becomes temporarily totally disabled while in service of department.	No specific provisions but if, after periodic examination the member is deemed recovered, and is under 50 years of age, he shall be returned to active duty. Benefits are the same as permanent disability.	No specific provisions but if, after periodic examination the member is deemed recovered, and is under 50 years of age, he shall be returned to active duty. Benefits are the same as permanent disability.	
Benefit	100% of salary at date of such disability (up to 1 year).	100% of salary at date of such disability (up to 1 year).	100% of salary at date of such disability (up to 1 year). Member must be off payroll.			
Permanent Disability: Eligibility	Physical or mental disablement which renders necessary retirement from service.	Physical or mental disablement which renders necessary retirement from service. Not clear if cause must be duty related.	Physical or mental disablement while in service which renders necessary retirement from the department.	Physical or mental disablement while on active duty whereby member is unable to perform his duties. A member who has 5 years of service and is unable to perform his duties due to heart or lung disease contracted while on duty is also eligible.	Physical or mental disablement while on active duty whereby member is unable to perform his duties. A member who has 5 years of service and is unable to perform his duties due to heart or lung disease contracted while on duty is also eligible.	Local board determines compensation, no statutory maximum. Injury must occur in line of duty.
Benefit	50% of salary at date of such disability.	50% of salary at date of such disability.	50% of salary at date of such disability.	50% of salary at date of such disability, plus at the governing body's option, escalation equal to one-half of any salary increase granted, during his retirement, to the rank he previously occupied.	50% of salary at date of such disability, plus escalation equal to one-half of any salary increase granted, during his retirement, to the rank he previously occupied.	

TABLE 1

COMPARISON OF BASIC PROVISIONS OF
COLORADO STATUTES GOVERNING POLICEMEN
AND FIREMEN'S PENSIONS
(CONTINUED)

	SUMMARY OF STATUTORY PROVISIONS FOR POLICE PENSIONS			SUMMARY OF STATUTORY PROVISIONS FOR FIREMEN'S PENSIONS		
	Municipalities Under 50,000	Municipalities 50,000 to 100,000	Municipalities Over 100,000	Municipalities Under 100,000	Municipalities Over 100,000	Volunteers
Off the Job Disability	No specific provision. However, the above may apply.	No specific provision. However, the above may apply.	No provision.	After 12 months of no pay, shall receive 5% of 50% of monthly salary multiplied by number of years of active service, not to exceed 1/2 monthly salary. Rank escalation optional.	Shall receive 5% of 50% of monthly salary multiplied by number of years of active service, not to exceed 1/2 monthly salary. Rank escalation mandatory.	No provision.
Death Benefits: Eligibility	Dependent widow, dependent mother, and/or dependent children under sixteen, of a deceased active or retired policeman.	Widow, dependent mother, and/or dependent children under sixteen, of a deceased active or retired policeman.	Widow, dependent father or mother, and/or dependent children under sixteen of a deceased member who died as a result of occupation, or of a retiree from any cause.	Dependent widow, dependent mother, and/or dependent children under eighteen, of a deceased active or retired fireman.	Dependent widow, dependent mother, and/or dependent children under eighteen, of a deceased active or retired fireman.	Dependent widow, parent and/or children under eighteen.
Benefit	25% of salary at deceased member's death to widow or mother, if no spouse; plus 12.5% of salary to children until age sixteen.	$30/month to widow or mother if no spouse; $6/month to each child until age sixteen.	$30/month to widow; $6/month to each child until age sixteen, or if no spouse, $30 total to dependent father and/or mother.	One-third of first grade fireman's salary at deceased member's death to widow or mother, if no spouse; plus$30 to each child until age 18. If no surviving spouse, children receive spouse's benefit equally divided among them, not to exceed 1/2 of current salary of first grade fireman or $30 whichever is greater.	Widow receives one-third of salary at deceased member's death plus one-third of any salary increases granted, while she receives such benefit, to the rank the deceased member previously occupied, plus $30 to each child until age 18. If no surviving spouse, children receive spouse's benefit equally divided among them, not to exceed 1/2 current salary of first grade fireman or $30 whichever is greater.	Local board determines appropriate monthly annuity not to exceed $150/month, if death occurs prior to retirement. After retirement, surviving spouse receives 50% of pension benefit. Dependent parent may receive up to $150 or an amount determined by local ordinance or rules of the board if there is no surviving spouse or dependent child. Children under 18 may receive up to $150 or an amount determined by local ordinance or rules of the board.
Compulsory Retirement:	None, but no additional credited service earned after age 55, unless the member does not have the required 20 years of service.	None, but no additional credited service earned after age 60, unless the member does not have the required 20 years of service.	Age 60. Additionally, credited service is limited to 25 years.	None, but no additional credited service earned after age 50, unless the member does not have the required 20 years of service.	Statute implies compulsory retirement upon meeting normal retirement eligibility (age 55 and 25 years of service).	

TABLE 1

COMPARISON OF BASIC PROVISIONS OF COLORADO STATUTES GOVERNING POLICEMEN AND FIREMEN'S PENSIONS (CONTINUED)

	SUMMARY OF STATUTORY PROVISIONS FOR POLICE PENSIONS			SUMMARY OF STATUTORY PROVISIONS FOR FIREMEN'S PENSIONS		
	Municipalities Under 50,000	Municipalities 50,000 to 100,000	Municipalities Over 100,000	Municipalities Under 100,000	Municipalities Over 100,000	Volunteers
Member Contributions:	Shall match employer contribution, if any.	No provision.	Not to exceed 8 3/4% of salary.	Not to exceed 6% of salary.	Not to exceed 8 3/4% of salary.	No provision
Employer Contributions:	May contribute from municipality's general funds up to 5% of police payroll to pension fund.	No. provision.	A property tax of 1 cent on each $100 of assessed valuation (1/10 mill) shall be levied if fund falls below $300,000 in assets.	May levy up to 1 mill property tax. Contributions must match employee contributions and may be paid from municipal general revenues or by use of the 1 mill levy.	Shall levy 1 mill property tax.	May levy up to 1 mill property tax
State Contributions:	$1,785,000 annually distributed to local police pension funds. Distribution to local funds on a per capita basis $374.20 per officer in 1976).			$2,335,000 annually distributed to match local contributions up to 1/2 mill local assessed valuation. 1977 state allocation equalled 58.9% of 1/2 mill authorization.		

TEXT

COMMENTS

A BILL FOR AN ACT

CONCERNING THE FINANCIAL SOUNDNESS OF PENSION PLANS FOR POLICEMEN AND FIREMEN, AND PROVIDING A REQUIRED FINANCING PROGRAM TO ENSURE SUCH SOUNDNESS AND A COMMISSION TO PROPOSE A NEW PLAN THEREFOR, AND MAKING AN APPROPRIATION THEREFOR.

Bill Summary

(Note: This summary applies to this bill as introduced and does not necessarily reflect any amendments which may be subsequently adopted.)

Requires police and firemen's pension funds to be financed on an actuarially sound basis on and after January 1, 1979; establishes a phase-in period if needed; and establishes a legislative study commission to pursue pension reform. Provides for self-repeal January 1, 1981, and makes various technical amendments. Makes an appropriation to the state auditor for carrying out the required studies.

Be it enacted by the General Assembly of the State of Colorado:

SECTION 1. Article 30 of title 31, Colorado Revised Statutes 1973, as amended, and as further amended by Session

TEXT

Laws of Colorado 1977, is amended BY THE ADDITION OF THE FOLLOWING NEW PARTS to read:

PART 8

31-30-801. Short title. This part 8 shall be known and may be cited as the "Police and Firemen's Pension Reform Act".

31-30-802. Legislative declaration. The general assembly finds and declares that numerous police and firemen's pension funds established pursuant to parts 3 through 6 of this article are actuarially unsound and in severe financial jeopardy, some local funds are bankrupt and others likely will become bankrupt in the near future, the ability of such funds to pay earned benefits to present and future police officers and firemen is in substantial doubt, and the problems faced by local funds and their beneficiaries will increase in future years unless pension plan reform is adopted immediately. In enacting this part 8 the general assembly intends to provide a means by which such funds may be made actuarially sound within a forty-year period and that new statewide standards be established for

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31-30-802

The Legislative Declaration is self explanatory. Three statements therein should, however, be noted: That the General Assembly intends to provide a means by which firemen and policemen's pension funds may be made actuarially sound within a forty-year period; that new statewide standards should be established to ensure that such funds will be adequately funded; and, that such standards are of statewide concern and will thereby supersede any conflicting provisions in any local charter or ordinance.

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police and firemen's pension funds which will ensure that all such pension plans will be adequately funded to meet the demands that may be made on such pension funds. The general assembly further declares that the establishment of such statewide standards is a matter of statewide concern and affected with a public interest, and the provisions of this part 8 are enacted in the exercise of the police powers of this state for the purpose of protecting the health, peace, safety, and general welfare of the people of this state.

31-30-803. Definitions. As used in this part 8, unless the context otherwise requires:

(1) "Commission" means the police and firemen's pension reform commission established pursuant to section 31-30-901.

(2) "Employer" means any municipality or fire protection district employing one or more firemen or any municipality employing one or more police officers.

(3) "Employee" means any fireman or police officer employed by an employer who is eligible for the benefits provided pursuant to part 3, 4, 5, or 6 of this article.

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(4) "Governing body" means the governing body of a municipality or fire protection district. (5) "Local board" means the board of trustees of a police or firemen's pension fund, by whatever name known, organized pursuant to part 3, 4, 5, or 6 of this article. (6) "Volunteer fireman" means any person who is assigned to a fire department or fire protection district, engaged in fighting and extinguishing fires and the protection of life and property therefrom, and is specifically designated, appointed, or styled as a fireman by the governing body or its designee but who is not normally scheduled to be on duty in a paid capacity as a fireman for at least one thousand hours annually and whose main source of income is not derived from service on a fire department.	
31-30-804. <u>Limitation on existing funds - procedures.</u> (1) On and after January 1, 1979, every police or firemen's pension plan created pursuant to part 3, 4, 5, or 6 of this article shall be financed in accordance with minimum funding standards prescribed in this part 8. Contributions made	<u>31-30-804</u> is the main section of <u>the bill.</u> It sets forth the committee's primary objective -- that minimum funding standards must be implemented to begin funding police and firemen's pensions on an actuarially sound basis -- and proposes specific procedures to begin to accomplish this objective.

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pursuant to this section shall include the established employee contribution and any state contribution.

(2) (a) Except as provided in subsection (3) of this section, annual contributions to police and firemen's pension funds shall be made, beginning January 1, 1979, as determined pursuant to subsections (4) and (5) of this section, at an annual rate which is equal to or greater than the sum of the actuarially determined amount required to amortize, over a period of not more than forty years from January 1, 1979, the unfunded accrued liabilities of such plan and the current service cost attributable to active members.

(b) In each year until any pension plan created pursuant to part 3, 4, 5, or 6 of this article is funded on an actuarial reserve basis as required by this part 8 and has no accrued unfunded liability attributable to active or retired members, the total of such annual contributions shall not be less than the greater of pension benefits paid in such year or the rate of contribution as a percentage of payroll made in the year 1977.

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Note that subsection (1) provides that the required contributions are to include employee and state contributions, (in addition to employer -- municipal -- contributions) thus, the entire burden for funding is not on the municipality.

Subsection (2) requires the funding of existing policemen and firemen's pension programs at an annual rate at least equal to an amount necessary to pay the current program cost and amortize the unfunded liability over not more than 40 years be started in 1979. The total of such contributions cannot be less than the actual dollar amounts now being contributed or less than the current contribution rate calculated as a percentage of payroll, whichever is the greater.

The bill suggests the use of January 1, 1979, as the effective date of the proposed funding method in order that the actuarial studies necessary to determine the appropriate level of contributions may be conducted in 1978. Municipalities and fire protection districts would then be provided with sufficient time to prepare for an increased level of funding. An amortization period of 40 years is suggested in order that the accrued unfunded liabilities of the several

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(3) The governing body of a municipality or fire protection district which determines that the minimum annual rate of municipal or fire protection district contributions provided in subsection (2) of this section would place an undue initial hardship on the taxpayers of such municipality or fire protection district may adopt a resolution to that effect and file a certified copy of such resolution with the state auditor and the division of local government in the department of local affairs prior to January 1, 1979. Any municipality or fire protection district which has filed a certified copy of such resolution with the state auditor and said division of local government prior to January 1, 1979, may make annual contributions in accordance with the following schedules:

(a) (I) For municipalities and fire protection districts having a population of less than five hundred thousand, as determined by the 1970 federal census, contributions for the calendar year 1979 shall be at a rate equal to or greater than fifty percent of the sum of the current service cost attributable to active members and the

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pension plans may indeed be paid off.

In subsection (3) the committee recognized that, by requiring an increase in the level of contributions sufficient to fully fund each pension plan, this proposal may place a considerable financial burden on many units of local governments. Accordingly, paragraphs (a) and (b) of this subsection (3) set forth two methods of increasing the level of contributions based upon the size of the municipality or fire protection district. For local governments under 500,000 population (as of the 1970 census), contributions would begin, in 1979, at a level at least equal to fifty percent of the sum of all pension costs and would increase five percent a year until full funding is achieved in 1989 (see paragraph (a)).

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actuarially determined amount required to amortize the unfunded accrued liabilities of such fund over a period of not more than forty years from January 1, 1979.

(II) Contributions for each calendar year after 1979 shall be a rate equal to or greater than the percentage of the sum of the current service cost attributable to active members plus the actuarially determined amount required to amortize the unfunded accrued liabilities of such fund over a period of not more than forty years established as follows:

Calendar year	Percentage	Forty-year amortization period beginning January 1
1980	55	1980
1981	60	1981
1982	65	1982
1983	70	1983
1984	75	1984
1985	80	1985
1986	85	1986

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1987	90	1987
1988	95	1988
1989	100	1989

(b) For municipalities and fire protection districts having a population of five hundred thousand or more, as determined by the 1970 federal census, contributions for each calendar year beginning 1979 shall be at a rate equal to or greater than the percentage of the sum of the current service cost attributable to active members and the actuarially determined amount required to amortize the unfunded accrued liabilities of such fund over a period of not more than forty years, established as follows:

Calendar year	Percentage	Forty-year amortization period beginning January 1
1979	20	1979
1980	30	1980
1981	40	1981
1982	50	1982
1983	60	1983

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Paragraph (b) is intended to recognize the unique problems posed by the large level of accrued unfunded liabilities in the City and County of Denver. It is estimated that Denver's unfunded liabilities compose approximately one-half of the estimated $500,000,000 statewide unfunded liabilities. It was therefore suggested that Denver be given special consideration by providing for phased increases which begin at a lower percentage level (20%) than those other cities in the state. However, the phased increases would be at a rate of 10 percent annually, rather than 5 percent as for smaller communities -- an eight-year phase-in compared to a ten-year phase-in. Available information indicated that while many smaller communities now have significant unfunded liabilities, they are currently funding close to or above the 50 percent initial funding level, and, unlike Denver, they do not fund pensions on a pay-as-you-go basis as Denver does its police pension program. However, due to the lack of accurate cost data, the committee wishes to note that the actual effect of

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1984	70	1984
1985	80	1985
1986	90	1986
1987 and thereafter	100	1987

(c) Any provision of this subsection (3) to the contrary notwithstanding, in each year until any pension plan established pursuant to part 3, 4, 5, or 6 of this article is funded on an actuarial reserve basis as required by this part 8 and has no accrued unfunded liability attributable to active or retired members, the total of such annual contributions shall be not less than the greater of the pension benefits paid in such year or the rate of contribution as a percentage of payroll made in the year 1977.

(4) (a) An actuarial study of all police and firemen's pension funds existing on January 1, 1978, shall be conducted under the supervision of the state auditor, and the results of such study shall be compiled in a report submitted to the commission and the division of local government in the department of local affairs no later than

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these formulas are not known; adjustments thereto may be necessary when data the committee has requested is made available.

Subsection (4) requires the undertaking of an actuarial study of all fire and police pension funds existing in the state as of January 1, 1978. Precise information regarding each local government's accrued unfunded liabilities is presently lacking and as a result an accurate assessment of the contributions required in (3) is not possible. These

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September 1, 1978.

(b) The state auditor shall designate an actuary or firm of actuaries to conduct or review actuarial studies to determine the minimum annual rate of contribution for each municipality and fire protection district. Any municipality or fire protection district which elects to use the services of such actuary or firm of actuaries shall furnish to the state auditor necessary data at such times as determined by the state auditor on the basis of which the minimum annual rate of contribution from municipalities or fire protection districts may be calculated, but any municipality or fire protection district may elect to use the services of its own actuary as provided in subsection (5) of this section for purposes of determining the rates of contribution required by this section. Upon the basis of an actuarial analysis of the available data on or before September 1, 1978, the state auditor shall certify to the division of local government in the department on or before said date the actuarially calculated minimum annual rate of contribution which will be required from each municipality and fire protection district

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studies are intended to develop this information.

In addition, as noted in the text of the report, the committee proposed that a Legislative Commission be established (See Part 9 of this bill) to develop detailed proposals on future benefits for police and firemen. As is stated in the text of this report, the committee itself, was unable to provide a total solution because accurate actuarial data was not available. With these actuarial studies, such data will be available to the commission, and will allow them to accurately assess the costs of any proposals they consider.

September 1 was chosen as the date of completion of such studies in order that local governments may adjust their proposed budgets to meet the increased contribution level which may be required.

Paragraph (b) further develops the procedures to be followed in the conduct of these actuarial studies, and the development of contribution data. Note that the state auditor has been directed to conduct the study and provide actuarial service to local governments which do not chose to use another firm.

TEXT

in accordance with subsection (2) or (3) of this section. Said division shall certify such minimum annual rate of contribution to each municipality and fire protection district no later than September 5, 1978. All costs involved in making certifications to the division of local government in the department of local affairs pursuant to this subsection (4) shall be borne by the state auditor in accordance with appropriations made therefor.

(5) Any municipality or fire protection district may elect to use the services of an actuary or firm of actuaries other than the actuary designated by the state auditor as provided for in subsection (4) of this section in order to conduct the study needed to determine the minimum annual rate of contribution from such municipality or fire protection district, but such study shall be based on methods and assumptions approved by the state auditor. Such municipality or fire protection district shall file a statement of election with the state auditor no later than February 15, 1978, setting forth the name and address of the actuary or firm of actuaries selected by such municipality

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Subsection (5) specifies that local governments which utilize actuaries other than those selected by the state auditor must have the actuarial studies done using uniform methods and assumptions approved by the state auditor. It is intended that such requirements will ensure uniform analysis of all data. Such uniformity is important in order that an accurate assessment of the statewide cumulative liabilities and funding requirements may be made. Independent studies will be funded by the state, up to a maximum, unspecified amount. The committee has requested that the Auditor's Consultants develop estimates of costs for these statewide studies. Once this is available, it may be possible to develop specific funding levels.

TEXT

or fire protection district and certifying that such actuary or the actuary of such firm of actuaries conducting the study is an enrolled actuary under the provisions of the federal "Employee Retirement Income Security Act", Public Law 93-406. The state auditor shall reimburse each municipality and fire protection district using an actuary or firm of actuaries as provided in this subsection (5) for such studies up to a maximum of ________ so long as such studies proceed and are completed according to a schedule established by the state auditor.

(6) The state auditor, in connection with the actuarial study required by subsection (4) of this section, shall establish actuarial methods and assumptions for purposes of actuarial valuation and review of all of the funds created pursuant to this article and determination of the minimum annual rates of contribution for municipalities and fire protection districts maintaining such funds.

COMMENTS

Subsection (6) authorizes the state auditor to establish the aforementioned common actuarial methods and assumptions.

Procedurally, subsections (2) through (6) would operate as follows:

(A) During 1978, the state auditor is to supervise the conduct of actuarial studies of all existing police and firemen's pension plans; this study is to be completed on or before September 5, 1978 (prior to the completion of local government budgets for 1979).

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(B) Local governments may contract with their own actuarial firms therefor, but the studies done by locally hired actuaries must be based on uniform methods and assumptions set forth by the state auditor.

(C) The state auditor is directed to designate an actuary or firm of actuaries to conduct a review of any local actuarial studies and to conduct such studies for local governments, if necessary. The state will participate in the funding of any study done by a locally contracted actuary.

(D) Once the actuarial studies are completed, the state auditor is to certify to the Division of Local Government the minimum contribution rates (for 1979) that will be necessary for each local government to provide to meet the minimum funding standards set forth in subsection (2) and (3). The division is to then certify the minimum rates to said local governments.

(E) Based upon the certified minimum contribution rates, the local governing body is to determine whether or not it can afford to begin immediately funding the normal cost and the amount necessary to amortize its unfunded liability over forty years (subsec-

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(7) All municipalities and fire protection districts including both paid and volunteer firemen in their pension plans shall segregate the pension funds for paid and volunteer firemen on an equitable basis for accounting and actuarial purposes, and said segregation shall be considered in all actuarial reports applicable to such funds.

(8) (a) Notwithstanding any other provision of this article, no modification by charter or ordinance of any provision of a pension benefit plan of a fund established pursuant to this article may be made after October 1, 1978, except that the contribution rate of the members of any fund may be increased to a maximum of ten percent and shall be increased to the following minimums with the rate of

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tion (2)) or whether it must begin funding on the applicable phase-in schedule set forth in subsection (3); it then so notifies the Division of Local Government and the State Auditor and includes the minimum amount in its 1979 budget.

Subsection (7) is intended to ensure the development of accurate actuarial information regarding volunteer firemen. In some cases, local governments maintain a fire department which is composed of both paid and volunteer firemen. Since current benefits are divergent, the accrued liabilities for volunteer firemen might be significantly different than for paid firemen. Consequently the level of local government contributions for volunteer firemen required by this proposal may vary from those required to fund the paid firemen's portion.

Subsection (8) does two things. First, it provides that a moratorium be imposed upon pension plan modifications beginning in October, 1978. Because of the "repealer clause" contained in this bill -- see section 31-30-807 -- this may be essentially a 2-year moratorium. This moratorium is inserted in order that the actuarial findings of the mandated studies conducted in 1978 may not be disrupted by subsequent benefit

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contribution of the employer at least equal to the employee rate;

Calendar Year	Percentage
1979	5.0
1980	5.5
1981	6.0
1982	6.5
1983	7.0
1984	7.5
1985	8.0

(b) In no event shall employee contributions be reduced if greater than the rate established by paragraph (a) of this subsection (8).

(9) Every employee hired for the first time after the effective date of this part 8 shall be covered by the benefit provisions of part 3, 4, 5, or 6 of this article until the creation of a new statewide retirement system in

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modification and to prevent any changes which could increase local unfunded liabilities.

Secondly, it mandates a phased schedule of increases in employee contributions. Some employees are currently contributing one percent or less of salary toward their pensions. The committee believes that pension plans should be funded by both employer and employee contributions and, the bill mandates increases in both. Note that the employer contributions must be, at least, equal to those of the employee.

Finally, paragraph (b) requires that the current level of contributions cannot be reduced if they are greater than the minimum levels set forth above. This is designed, in part, to reduce the possibility that a plan may become unsound or increase the level of its liabilities as a result of the imposition of the minimum contributions schedule contained in (8) (a).

Subsection (9) is also intended to help stabilize the current financial situation among local pension funds. While newly hired individuals would be protected by disability and other similar benefits under current

TEXT

which they shall be members but shall not be vested in or be entitled to any benefits provided by said parts 3 to 6. Each employer shall notify any such employee of his limited rights under the pension plans created pursuant to parts 3 to 6 of this article.

31-30-805. No change in employer obligation. It is the intention of the general assembly that the minimum funding standards established by this part 8 shall not enlarge nor diminish the obligation of municipalities and fire protection districts to their employees for pension benefits provided pursuant to parts 3 to 6 of this article.

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plans, they will not be allowed a vested interest therein. If they were allowed such an interest, the unfunded liability of existing funds would continue to increase. Of course, they will be allowed to incur credit toward any new pension plans which are ultimately adopted.

As noted in Table I, and in the text of the committee's report, municipalities over 100,000 in population are required to levy a one mill property tax in support of their firemen's pension funds. A Colorado Supreme Court decision -- Huff v. Mayor and City Council of Colorado Springs (182 Colo. 108, 512 P.2d 632) -- suggests that this may be a municipality's only liability. Some, however, argue that this decision does not actually indicate that this is, in fact, such a municipality's only liability. The point is that the exact level of local responsibility is not known, and, indeed may be very limited. This bill increases local contribution requirements and some fear that such increases could be interpreted as permanently increasing such a municipality's liability. This clause (Section 805) is inserted to insure that the existing local liability will not be changed if a complete solution is not achieved and the increases, and the bill, are automatically repealed.

TEXT

31-30-806. <u>Provisions not severable</u>. If any provision of this part 8 is found by a court of competent jurisdiction to be unconstitutional, the remaining provisions of this part 8 shall be deemed to be invalid, it being the intent of the general assembly that the provisions of this part 8 are so essentially and inseparably connected with and so dependent upon each other that each is incomplete and incapable of being executed independent of the others.

31-30-807. <u>Repeal of part 8</u>. This part 8 shall be repealed effective January 1, 1981.

COMMENTS

A major purpose of this bill is to construct a mechanism which will result in the development of a comprehensive proposal to totally resolve all problems posed by fire and police pensions. In order to accomplish this in a timely and reasonable fashion, the proposal also envisions the enactment of procedures intended to stabilize the existing financial condition of the various local plans during the period of this study. The committee feels that these two objectives should be considered as necessary adjuncts to one another and shall not be done independently. Consequently, a non-severability clause has been inserted in this bill.

Section 807 has been included in an effort to spur the work of the study commission (created below) in developing the necessary additional proposals to resolve the entire situation. The committee feels strongly that final resolution of this issue cannot be postponed indefinitely. Consequently a repealer date has been inserted as a means of encouraging prompt action.

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PART 9

POLICE AND FIREMEN'S PENSION REFORM COMMISSION

31-30-901. Commission created - duties. (1) There is hereby created the police and firemen's pension reform commission to be comprised of five senators appointed by the president of the senate and ten representatives appointed by the speaker of the house of representatives. Members of the commission shall receive the same per diem allowance authorized for other members of the general assembly serving on interim study committees and actual expenses for participation in meetings of the commission. Staff services

COMMENTS

Part 9 establishes the aforementioned legislative pension reform commission. As noted above, creation of this commission is intended to provide for the development of a new statewide pension plan which is to be funded on an actuarially sound basis. The development of such a plan would protect the benefits of newly hired individuals while stabilizing and perhaps reducing the current unfunded liabilities. Again, in keeping with the committee's desire for a prompt resolution of this issue, this part also contains a repealer clause.

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for the commission shall be furnished by the legislative council and the legislative drafting office, and the commission may contract for such services as it deems necessary.	
(2) The commission shall study and develop proposed legislation relating to funding of police and firemen's pensions in this state and benefit designs of such pension plans, including but not limited to: (a) Normal retirement age and compulsory retirement; (b) Payment of benefits prior to normal retirement age; (c) Service requirements for eligibility; (d) Rate of accrual of benefits; (e) Disability benefits; (f) Survivor's benefits; (g) Vesting of benefits; (h) Employee contributions; (i) Postretirement increases; (j) Creation of an administrative board; (k) Creation of a consolidated statewide system.	Subsection (2) enumerates a number of items which the commission might address.

TEXT

(3) This part 9 shall be repealed effective January 1, 1981.

SECTION 2. 31-30-303, Colorado Revised Statutes 1973, as amended by chapter 423, Session Laws of Colorado 1977, is amended to read:

31-30-303. <u>Transfer of certain moneys to policemen's pension fund</u>. On April 30 of each year, the state treasurer shall transfer the sum of ~~one~~ TWO million seven hundred eighty-five thousand dollars from the revenues derived from the tax imposed by section 10-3-209, C.R.S. 1973, on the gross amount of all premiums collected from foreign or alien insurance companies, as computed by the commissioner of insurance, which are authorized and licensed by said commissioner to make insurance or reinsurance in this state in accordance with the provisions of section 10-3-102, C.R.S. 1973, and specifically by section 10-3-102 (1) (a), (1) (c) (IV) to (1) (c) (VI), (1) (c) (VIII), (1) (c) (IX), and (1) (d), C.R.S. 1973, to a fund to be known as the "policemen's pension fund".

SECTION 3. 31-30-404 (1), Colorado Revised Statutes

COMMENTS

Section 2 amends the current pensions statutes to add an additional $2 million to the state's contributions for police and firemen's pensions -- $1 million to each.

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1973, as amended by chapter 425, Session Laws of Colorado 1977, is amended to read:

31-30-404. Firemen's pension fund distribution. (1) On April 30 OF each year, the state treasurer shall transfer a sum of money, not exceeding ~~two~~ THREE million three hundred thirty-five thousand dollars, from the revenues derived from the tax imposed by section 10-3-209, C.R.S. 1973, on the gross amount of all premiums collected from foreign or alien insurance companies which are authorized and licensed by the commissioner of insurance to make insurance or reinsurance in this state in accordance with the provisions of section 10-3-102, C.R.S. 1973, to a fund to be known as the "firemen's pension fund". At the end of the fiscal year, the controller shall issue and deliver to the treasurers of all firemen's pension funds in this state which are entitled to participate in the funds to be distributed under this part 4 his warrants for the amounts and in the manner provided for in subsections (2) and (3) of this section. In no event shall any municipality or fire protection district receive less than five hundred dollars

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as long as said municipality or fire protection district contributes to its fund a sum equal to the proceeds of a levy of one-half mill on the current valuation for assessment of such municipality or fire protection district.

SECTION 4. 31-30-504, Colorado Revised Statutes 1973, as amended by chapter 425, Session Laws of Colorado 1977, is amended to read:

31-30-504. Assessments. There is assessed against each officer, member, and employee of said fire department an amount not to exceed ~~eight-and-three-fourths~~ TEN percent of his monthly salary, which amount shall be deducted and withheld from the monthly pay of each officer, member, and employee of the fire department so assessed and placed to the credit of the fund.

SECTION 5. 31-30-604, Colorado Revised Statutes 1973, as amended by chapters 60 and 423, Session Laws of Colorado 1977, is amended to read:

31-30-604. Control - assessments. The board shall have exclusive control and management of the fund and all moneys donated, paid, or assessed for the relief or

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These amendments are necessary in light of the preceding provisions contained in Section 31-30-804 (8) (a) of the bill, which authorizes an increase in employee contributions.

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pensioning of disabled members of the police department, their surviving spouses and dependent children under the age of sixteen years, and their dependent parents and shall assess each member of the police department an amount not to exceed ~~eight-and-three-fourths~~ TEN percent of the salary of such member. The assessment shall be deducted and withheld from the monthly pay of each member so assessed and placed by the treasurer of such city to the order of such board. SECTION 6. Appropriation. (1) In addition to any other appropriation heretofore made for the current fiscal year, there is hereby appropriated, out of any moneys in the state treasury not otherwise appropriated, to the state auditor, the sum of ______ dollars ($), or so much thereof as may be necessary, for the implementation of this act. (2) There is hereby appropriated, out of any moneys in the state treasury not otherwise appropriated, for the fiscal year commencing July 1, 1978, to the state auditor, the sum of ______ dollars ($), or so much thereof as may be necessary, for the implementation of this act.	

TEXT	COMMENTS
SECTION 7. <u>Safety clause</u>. The general assembly hereby finds, determines, and declares that this act is necessary for the immediate preservation of the public peace, health, and safety.	